

ISSUE BRIEF

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Education Savings Accounts for Children Attending Bureau of Indian Education Schools: A Promising Step Forward

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No child should be trapped in a failing school because of where he lives. That certainly includes Native American children who attend schools so bad they prompted a piece entitled “How Washington Created the Worst Schools in America.”¹ The schools, known as Bureau of Indian Education schools, are the subject of a proposal recently introduced by Senator John McCain (R-AZ) designed to create choices for the children enrolled in them.

The Native American Educational Opportunity Act would enable children attending Bureau of Indian Education (BIE)-funded schools to access education savings accounts (ESAs) to attend a private school of choice and to afford other education opportunities.² Education savings accounts are restricted-use spending accounts populated with funds that would have been spent on a child in a public school, in this case, a BIE school.³ Parents of eligible students could then use their ESA funds to pay for private school tuition, online learning, special education services and therapies, curricula, textbooks, and a host of other education-related services, products, and providers. Unused funds could even be rolled over from year-to-year, and invested in a college savings account.

Funding for Bureau of Indian Education Schools is unique among K–12 education financing because

it is almost entirely federal. BIE schools are directly federally funded through a combination of Department of Interior, Department of Education, and Department of Agriculture funds, with the BIE itself operating one-third of the schools, and the other two-thirds being tribally operated.⁴ By comparison, state and local funding makes up roughly 90 percent of public school funding in traditional public schools, with the federal government providing just 10 percent of K–12 school revenue.

Under the proposal, children in states that currently have an education savings account program in place (Arizona, Florida, Mississippi, and Nevada) who attend schools funded by the Bureau of Indian Education would be eligible to receive an ESA worth up to 90 percent of the per-pupil amount that would have been spent on them in their BIE-funded school, with the remaining 10 percent remaining with the Bureau school.⁵ Specifically, the Native American Educational Opportunity Act would use existing funds to reimburse states that instead allow eligible students to receive an ESA equal to 90 percent of the federal funding that would have been spent on them in BIE-funded and operated schools.

Problems Plague Bureau of Indian Education Schools

BIE schools have higher per-pupil expenditures than traditional public schools, and the Government Accountability Office (GAO) reports that “student performance at BIE schools has been consistently below that of public school students, including other Indian students attending public schools.”⁶ Students attending BIE schools are more likely to be from a low-income family, with all BIE schools being

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eligible for the community eligibility provision of Title I, a designation reached by having more than 40 percent of a school's student population qualifying for free and reduced-price lunch, compared to about half of all public schools.

Academic outcomes for Native American children attending BIE schools are worse on average than academic outcomes for Native American children nationally. Native American children at BIE schools achieved an average score of 182 on the National Assessment of Educational Progress (NAEP) fourth-grade reading exam in 2011. Native American children attending non-BIE public schools had an average reading score of 204, some 22 points higher than their BIE peers, the equivalent of two grade levels of learning. By way of comparison, 10 points on the NAEP is roughly the equivalent of one grade level of learning.⁷

BIE schools also have graduation rates hovering around 53 percent, well below the national average of 81 percent for all students, and also far below the national average of 69 percent for Native American students.⁸

In the searing exposé by *Politico* on BIE schools noted above, "How Washington Created Some of the Worst Schools in America," reporter Maggie Severns describes the state of affairs:

The network of schools for Native American children run by an obscure agency of the Interior Department remains arguably the worst school system in the United States, a disgrace the government has known about for eight decades and never

successfully reformed.... The 48,000 students unfortunate enough to attend BIE schools have some of the lowest test scores and graduation rates in the country—even as the education they're getting is among the nation's most expensive.⁹

The federal government spends over \$830 million to educate 48,000 children attending 183 BIE schools. When food service is included, BIE-operated day schools (excluding boarding schools, which, understandably, spend more per pupil) spent \$16,394 per student during the 2009–2010 school year. That same year (2009–2010), the traditional public school per pupil average was \$10,295. BIE schools spend 56 percent more than the national average per-pupil expenditure in traditional public schools.¹⁰

Although the federal government has responsibility for BIE schools, fiscal and academic oversight has been severely lacking. According to a GAO investigation:

BIE's processes for oversight do not adequately ensure that funds are spent appropriately. BIE lacks written procedures for how and when staff should monitor school spending and does not use a risk-based approach to prioritize how it should use its limited resources for oversight. Instead, BIE told GAO that it relies primarily on ad hoc suggestions by staff regarding which schools to oversee more closely. Meanwhile, some schools have serious financial problems.

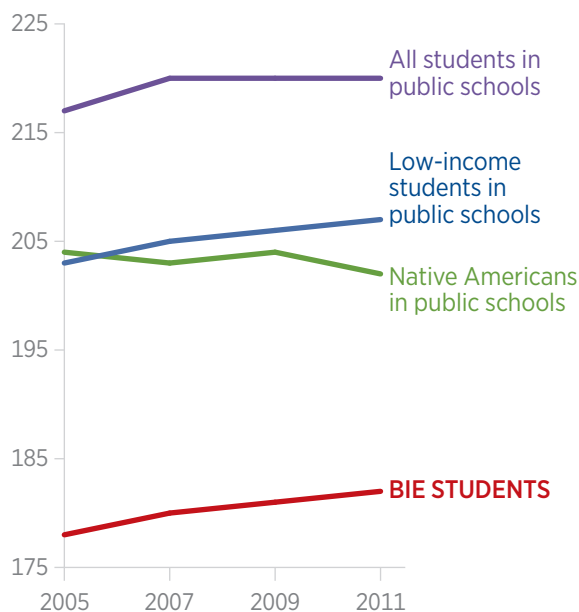
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1. Maggie Severns, "How Washington Created Some of the Worst Schools in America," *Politico*, November 24, 2015, <https://www.politicopro.com/education/story/2015/11/how-washington-created-the-worst-schools-in-america-079773> (accessed March 31, 2016).
 2. The Native American Educational Opportunity Act, S. 2711, 114th Congress, 2nd Sess.
 3. Jonathan Butcher and Lindsey M. Burke, "The Education Debit Card II: What Arizona Parents Purchase with Education Savings Accounts," *The Friedman Foundation for Educational Choice*, February 2016, <http://www.edchoice.org/wp-content/uploads/2016/02/2016-2-The-Education-Debit-Card-II-WEB-1.pdf> (accessed March 31, 2016).
 4. Government Accountability Office, "Bureau of Indian Education Needs to Improve Oversight of School Spending," Report to the Chairman, Subcommittee on Interior, Environment, and Related Agencies, Committee on Appropriations, U.S. House of Representatives, November 2014, <http://www.gao.gov/assets/670/666890.pdf> (accessed March 31, 2016).
 5. Tennessee also has an ESA program, known as an Individualized Education Account Program, in place, but is not home to any students who live on reservations.
 6. Ibid.
 7. Matthew Ladner, "My Turn: Arizona Schools are Better Than Ever (Really)," *The Arizona Republic*, October 2, 2015, <http://www.azcentral.com/story/opinion/op-ed/2015/10/02/arizona-education-achievement/72697594/> (accessed March 31, 2016).
 8. Bureau of Indian Education, "Bureau of Indian Education Reorganization: Synopsis of the Reprogramming," March 23, 2016, <http://www.bie.edu/BFRI/index.htm> (accessed March 31, 2016).
 9. Severns, "How Washington Created Some of the Worst Schools in America."
 10. Government Accountability Office, "Bureau of Indian Education Needs to Improve Oversight of School Spending."
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CHART 1

Underperformance at Bureau of Indian Education Schools

Reading performance among fourth grade Native American children attending BIE schools is far below reading levels of their peers at other schools.

Average NAEP 4th-Grade Reading Scores



NOTE: The NAEP reading scale ranges 0–500. Some apparent differences between estimates may not be statistically significant.

SOURCE: U.S. Department of Education, Institute of Education Sciences, National Center for Education Statistics, National Assessment of Educational Progress, “National Indian Education Study 2011,” <http://nces.ed.gov/nationsreportcard/pdf/studies/2012466.pdf> (accessed March 24, 2016).

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Notably, external auditors identified \$13.8 million in unallowable spending at 24 schools as of July 2014. Further, in March 2014, an audit found that one school lost about \$1.2 million in federal funds that were *improperly transferred to an off-shore account*. Without written procedures and a

risk-based approach to overseeing school spending—both integral to federal internal control standards—there is little assurance that federal funds are being used for their intended purpose to provide BIE students with needed instructional and other educational services.¹¹

The failures on the BIE system have been widely recognized. Former education secretary Arne Duncan called the system “the epitome of broken” and “utterly bankrupt.” Weeks after a visit to a BIE elementary school in North Dakota, President Obama “cried in the Roosevelt Room while talking about what the administration should do for kids on reservations. Two top administration officials told POLITICO it was the most emotional they’ve ever seen the president.”¹²

Reforming BIE Schools: Mechanics of the ESA Proposal

Instead of funneling Department of Interior and Department of Education funds directly to BIE schools, the proposal introduced by Senator McCain would use existing funds to reimburse states that instead allow eligible students to receive an ESA equal to 90 percent of the federal funding that would have been spent on them in BIE-funded and BIE-operated schools. Families could then use their ESA to pay for various education options, whether private school tuition or a combination of other options that work for their children. Eligibility would be open to:

- Children who are enrolled in a Bureau of Indian Education–funded elementary or secondary school in a state with an existing ESA program; or
- Any entering kindergarten child who would have been eligible to attend a Bureau of Indian Education–funded school in a state with an existing ESA program; or
- Any child who lives on the reservation of a tribe in a state with an existing ESA program; and
- Children who meet other eligibility requirements of the ESA program in their state of residence.

11. Ibid. (Emphasis added.)

12. Severns, “How Washington Created Some of the Worst Schools in America.”

The proposal would also require the Secretary of the Bureau of Indian Affairs to work with Bureau of Indian Education schools in each state where the ESA program is available to notify all parents of ESA-eligible students of the option.

ESAs for BIE Students: A Better Way Forward

It is appropriate for Congress to seriously consider ways to improve the education offered to Native American children living on or near reservations.¹³ Instead of continuing to funnel \$830 million per year to schools that are failing to adequately serve

these children, funds should be made accessible to parents via an education savings account, enabling families to choose options that work for them. It is the first step toward ensuring these children have access to education options that work for them and that open the doors of educational opportunity.

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13. The Native American Education Improvement Act of 2001 states that “the Federal Government has the sole responsibility for the operation and financial support of the Bureau of Indian Affairs funded school system that it has established on or near Indian reservations and Indian trust lands throughout the Nation for Indian children.”
